

Numbers man

The NHS faces a difficult financial challenge this year, but, even with additional funding, 2023/24 looks even tougher. Lee Bond, the HFMA's new president, is concerned the NHS is not fully prepared for this step change in financial difficulty. He believes finance staff have a major role in raising awareness, helping clinical teams to prepare, and supporting those teams to drive as much value out of their budgets as possible.

The first two years of the Covid-19 pandemic saw a major change in focus in the NHS. There was a reduced focus on finance as NHS England put in place a temporary financial system that aimed to ensure money was not an obstacle to responding to the virus. Block contracts replaced activity-based arrangements, and providers received top-ups for the additional costs associated with the pandemic.

There was an understandable and correct focus on staff wellbeing as frontline services performed heroics in coping with long hours and the imposition of restrictive infection control measures. Talking to clinical teams about cost reduction or efficiency targets was not appropriate.

However, productivity and efficiency is very much back on the agenda, alongside the ever-present issues of quality and activity. Covid has not gone away, but the service is now living with the virus and the consequences of the past two years, particularly the significantly increased waiting lists and times. With this change has come a definite tightening of the purse-strings. This has coincided with eye-wateringly high inflation, driven at least in part by the war in Ukraine. Waiting lists are at an all-time high, staff shortages that existed before Covid have worsened, and underfunding of social care continues to have a crippling effect on the NHS in the form of unnecessarily occupied beds.

'The focus on the money is very definitely back,' says Mr Bond, chief finance officer at Hull University Teaching Hospitals NHS Trust and Northern Lincolnshire and Goole NHS Foundation Trust. 'And I'm not sure the NHS is ready for it.'

'The finances are really tough,' he says. He suggests there is already a mismatch between funding and expectations, with this year's settlement representing a real-terms cut in funding.

'There needs to be a conversation about what the NHS can afford and what the public can expect from the NHS,' he says. Inflation hit 10% in September and Mr Bond says this is all too evident in the contract renewals in Humberside. 'We are seeing 10% to 20% higher costs for the same goods in some cases,' he says.

This inflation has a direct impact on trusts' non-pay spend, which is typically 30%-40% of provider costs. The other 60% is related to pay, which is also driving costs. This year's pay settlement, which was not fully funded in the settlement, added nearly 5% to the overall payroll.

Efficiency targets

So it is not surprising that the NHS is facing unprecedented efficiency targets this year. According to the National Audit Office, systems need to reduce spending by 5% to break-even – although this was more than 9%

Finance teams will have a big part to play in the coming years as the NHS refocuses on finance and looks for more strength in numbers, new HFMA president Lee Bond tells Steve Brown

for some systems. For providers, the average efficiency needed to break-even is nearly 4% – although, again, the full range takes this to over 10%.

Mr Bond believes that many organisations will manage to get over the line this year – using a combination of non-recurrent savings and balance sheet flexibility.

However, these are non-recurrent fixes and 2023/24 is looking like a much more difficult proposition, even with the welcome additional

funds announced in the autumn statement.

The additional pay and price inflation experienced in 2022/23 will carry on into next year. This year's pay deal generated £1.4bn of unfunded costs, which becomes a recurrent pressure in 2023/24 – before any further pay settlement is agreed. Similarly, the additional funding reallocated by NHS England to allow for higher inflation (compared with the levels assumed in the spending review) also becomes a first call on next year's budgets.

The extra £3.3bn for each of the next two years, unveiled in November's autumn statement, undeniably improves the situation. But it represents about half of the additional costs that NHS England estimated in October that the service could face next year, as a result of inflation and possible pay rises. However, the increased funding for social care should also have a positive impact helping to improve flow into and out of hospital.

Mr Bond says the challenge is across the whole service. It extends from the high-profile acute sector, with its unprecedented elective backlog, to community, ambulance and mental health services, through to primary care, where GPs are delivering more activity than before the pandemic, despite the numbers of GPs continuing to fall.

Presidential theme

The challenging financial position was very much in mind when Mr Bond set his theme for his year as HFMA president – *Strength in numbers*. In one respect, the theme is about re-asserting the importance of finance as a fundamental foundation stone for the NHS and about emphasising the role of finance staff in delivering effective and financially sustainable patient services.

Finance professionals will have to help clinical colleagues understand the financial reality – strengthen their understanding of the numbers and the importance of hitting financial targets. They will also have to support them in realising the most efficient use of resources to maximise what can be done for patients.

'By and large, outside the finance community, and for understandable reasons, the rest of the NHS has slipped out of worrying about the resources,' he says. 'But we need to get the genie back in the bottle.'

Many commentators believe the NHS may have what looks like an impossible financial task. But Mr Bond is clear that finance directors cannot simply pass this on to budget holders, imposing unrealistic efficiency targets. 'There is no point passing on something that



“There needs to be a conversation about what the NHS can afford and what the public can expect from the NHS”

Lee Bond

is patently not doable,’ he says. ‘There’s lots of research into how budgets are set that suggests if you set something that’s quite clearly unachievable, you will have the wrong impact.’

There may be no easy solutions to the shortage of staff and funding, but Mr Bond is clear there are still opportunities to secure better value. Under the national tariff system and service line reporting, improving the financial position was often about growing income. Now it has to be about increasing value.

Robust costing data will be vital. As Mr Bond points out: ‘We need to be able to talk about the unit cost of production and how that splits between the costs of our inputs, the materials and labour, and the outputs we are getting as a result. Are costs driving our problems, or is it the productivity derived from our processes?’

He suggests that other countries, including the United States, have this information more readily available. ‘We need finance teams producing good quality costing data that clinicians can use,’ he says. ‘And there should be more use of technology, such as the scan for safety barcoding initiative, so that we are really recording what people are doing and can cost it better. That way, we can have better, more productive dialogue with clinical teams over how to improve.’

He acknowledges major strides forward in costing in recent years with the adoption of patient-level costing (PLICS) systems and methodologies. But it has been a long, drawn-out process. Inconsistency of approach is still a problem and progress in using the data to identify opportunities for improvement has been slow.

There is a tendency for costing teams to be under-resourced and there remain major concerns about differences between local costing models and the detailed costing return required by NHS England. Costing practitioners and the HFMA, through its HFMA Healthcare Costing for Value Institute, have argued for a more streamlined methodology, more focused on providers’ significant costs, that leaves teams with more time to actually use the data.

Agency staff

NHS England has again put a major focus on reducing agency staff costs. Having suspended its controls involving caps on rates and overall spending levels during the first years of Covid, it has now reintroduced agency spending ceilings at the system level.

Mr Bond is clear there are good reasons for the increased use of agency staff. Covid led to much higher staff absences – and this is still a pressure – and there remain significant levels of staff vacancies across nursing, medical and other staff.

But he believes there are opportunities to reimpose a bit more rigour back into the use of temporary staff. ‘There’s something about getting more organised and potentially we can do that on an integrated care system basis,’ he says. For example, the Humber and North Yorkshire system is seeking to agree a single rate for consultants and junior doctors for doing extra work. This would reduce competition between

A head for heights

Lee Bond has worked in Hull as chief finance officer for 10 years and took on the additional lead finance role at Northern Lincolnshire and Goole NHS Foundation Trust in 2020.

He started in the NHS in 1993, fresh out of university. At his first organisation, Sheffield Children's Hospital, he undertook finance tasks including registering invoices, receipting goods and chasing debts. He stayed 13 years, gaining his CIMA qualification and becoming finance director in 2003 – his first director position.

'One of the real benefits of being in a small organisation was that you got to see all aspects of its operations,' he says. 'I wasn't lost within a division in a big hospital.' One of the biggest challenges he faced in those early years as a director of finance was providing the finance lead

for the trust's successful foundation trust application – becoming the first children's hospital in the country to gain that status.

Following this, Mr Bond became finance director at Sherwood Forest Hospitals NHS Foundation Trust, with shorter stints at the East Midlands Strategic Health Authority and with the team at Central Manchester Hospitals, before he took the role in Hull.

Mr Bond also spent 18 months as the lead finance officer for the emerging Humber and North Yorkshire ICS. He says being chief finance officer for two trusts is fascinating. 'There are really good things on both sides – but also things that could be shared and improved – and I have great staff in both finance teams,' he says.

The trusts already

share a chairman, chief finance officer and a newly appointed chief information officer and are engaging on a possible move to a formal group structure.

Out of work Mr Bond has an extreme way to relax – snowboarding in winter; downhill biking in the Alps in summer. His friends refer to him as 'admin' due to his tendency to fall off.

They've also had a go at parapenting (a cross between hang-gliding and parachuting) off mountains, white water rafting and canyoning. 'It all scares the hell out of me,' he says, 'but it stops me worrying about work.'

Mr Bond lives with his partner Joanne, who also works in the NHS, and they have four children between them.



trusts in the same system looking to make use of the same staff.

Mr Bond also thinks that finance and procurement can sharpen its performance when negotiating with the private sector on the costs of goods, even in the face of rampaging inflation. With such a difficult financial climate, finance professionals have to explore every opportunity to get the best value out of every pound spent.

But *Strength in numbers* also reflects the need for finance teams to work more collaboratively across the new integrated care systems. The new system-first focus means much closer working in terms of managing the system's financial position, not just those of the constituent organisations.

This will mean getting financial reporting right so that there is much greater transparency across systems about the positions and challenges facing different organisations. It will be about understanding the knock-on impacts of decisions taken in one organisation on the wider system. Payment approaches will need to support the wider system plan and prioritisation of scarce capital resources will be essential. And it will require teams to think about efficiency in terms of whole patient pathways, rather than just organisational productivity.

There will be a need for finance staff to increase support for population health management approaches and to put spending and costs alongside health inequality data.

Benchmarking and best practice

Mr Bond is also keen to see more benchmarking and sharing of good ideas and best practice within and between systems. He says there are significant differences in working practice between the two organisations he oversees. And the finance function, armed with data and evidence, has a big role in understanding these differences and reducing unnecessary and sometimes costly variation.

A further aspect of the HFMA president's theme for his year in office is about improving the representative nature of the HFMA – delivering more strength in depth. This means expanding membership overall and ensuring the membership is representative of the finance function.

The association has made a start on this under 2022 president

Owen Hargreaves, opening up membership free to all finance staff in agenda for change bands 2 to 6. Already more than 3,000 finance staff have taken up this offer, expanding membership overall, changing the association's age profile and shoring up its future membership levels.

One NHS Finance is leading work to ensure the NHS finance function at the most senior levels is representative of the function as a whole. The HFMA supports this programme and will publish the latest version of its regular finance function census in the new year.

But the association also wants its own committees and special interest groups to reflect its and the finance family's make-up. The HFMA will actively look to increase opportunities for under-represented groups and will specifically target its resources to these areas, including providing bursaries for under-represented groups across its qualifications.

Mr Bond adds a final dimension to his strength in numbers theme. Given the significant financial pressures in the year ahead, finance individuals and teams will need to show great mental strength at times. He says they should take confidence from the robustness of the numbers backing their arguments.

However, he reminds finance professionals that they are not alone. As well as their wider finance teams, they also have a whole NHS finance family to lean on. Networking, sharing problems and solutions with colleagues at events and recognising the value of meeting people face-to-face occasionally, rather than everything being online, will be vital. Finance practitioners should also make themselves fully aware of the support available through coaching and mentoring via the association and One NHS Finance programmes.

Finance teams will inevitably be at the heart of the service and finance challenges in the years ahead. But there are also opportunities for finance professionals to help their organisations and systems to push forward on the efficiency and value agenda and a chance for the profession to show its strength. ○

